



## The Adaptation Fund

At the seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), held in Marrakech in 2001 (COP7), the Parties agreed to the establishment of the Adaptation Fund (AF) to finance concrete adaptation projects and programmes in developing countries that are Parties to the Kyoto Protocol.

The Fund is to be financed with a share of proceeds from Clean Development Mechanism (CDM) project activities and receive funds from other sources, that would be delivered as grants. The share of proceeds amounts to 2% of certified emission reductions (CERs) issued for a CDM project activity. As to now, the total amount deposited remains unknown, but no project was approved.

### Activities to be supported by the Adaptation Fund

- (a) Adaptation activities, where sufficient information is available to warrant such activities, in the areas of water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems, including mountainous ecosystems, and integrated coastal zone management.
- (b) Improving the monitoring of diseases and vectors affected by climate change, and related forecasting and early-warning systems, and in this context improving disease control and prevention;
- (c) Supporting capacity building, including institutional capacity, for preventive measures, planning, preparedness and management of disasters relating to climate change, including contingency planning, in particular, for droughts and floods in areas prone to extreme weather events;
- (d) Strengthening existing and, where needed, establishing national and regional centres and information networks for rapid response to extreme weather events, utilizing information technology as much as possible.

Guidance on specific eligibility criteria for the AF has yet to be fully developed. The Fund will finance developing countries that are Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change. To date, the Kyoto Protocol has not adopted an explicit definition of the term 'developing countries'. Pending more specific guidance, developing countries may be defined as non Annex I Countries or Countries that are eligible Clean Development Mechanism (CDM) host countries.

Within this definition of developing countries, emphasis will be on countries that are particularly vulnerable to climate change. These may include: LDCs, SIDS or other low income or low middle income country; and countries particularly vulnerable to climate change impacts as defined by the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report or other relevant studies.

Once country eligibility has been approved, a minimum/maximum allocation in US dollars per eligible host country will be agreed upon by the Adaptation Fund Board.

During the COP14 held in Poznan in December 2008, delegates from developing countries raised their concerns about the resources to be raised by the AF, through 2% of the CER trading, will not be enough to meet their needs. It is still uncertain about how much funding the market will generate, because it will depend on both the size of the market and on prices. New ways of funding, such as taxing transactions on the carbon trading market and Assigned Amount Units (AAU) auctioning, were proposed by developing countries to meet the funding shortfall; however developed countries rejected the proposals. The cost of adaptation to Climate change is controversial, going from USD 4-37 to USD 86 billion/year depending on the studies and the timeframe observed, but it is likely that considering the difficulties the AF currently faces to be financed it won't be able to cover it (Figure 1).

*Figure 1. Adaptation Cost estimate according different studies*

| <b>Study</b> | <b>Adaptation Cost Estimate</b> |
|--------------|---------------------------------|
| Stern        | US\$ 4-37 billion/year by 2050  |
| UNFCCC       | US\$ 28-67 billion/year by 2030 |
| UNDP         | US\$ 86 billion/year by 2016    |

Therefore it is crucial to keep the international society and the donors mobilized on the adaptation issues to increase the contributions and/or diversify the sources of funding. This is specially true for the most vulnerable regions such as the Near East north Africa, where the type of activities supported by the AF have a great potential to answer the countries needs regarding adaptation to climate change.

**References and further reading about the Adaptation Fund:**  
<http://www.climatefundsupdate.org/listing>